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Experiential Insights from Managing Joint Ventures in Indonesia : Reflection on Past Lessons and Future Challenges

Teddy Pawitra*

Joint ventures as one of the many forms of strategic alliance are now ubiquitous phenomena in most Asian countries such as Indonesia and others. The trend to establish joint ventures with foreign firms has been growing in popularity since the onset of 1980s. In 2007, the value of realized foreign direct investments in Indonesia had reached USD 9,076.6 million which represented 842 projects (Investment Coordinating Board, Oct. 2007)¹ However, particular data regarding the magnitude of investment in joint ventures are not available because foreign direct investments are not further specified into joint ventures and wholly owned subsidiaries. The development of joint ventures is more discernible if we turn to the international business arena. Over the past few years more than 5000 joint ventures have been established and the largest world 100 joint ventures represent more than USD 350 billion in combined annual revenues (Bamford, Erns and Fubini, 2004).

Keywords: joint venture, foreign direct investments, magnitude of investment indonesia, wholly owned subsidiaries.

Introduction

Joint ventures are defined as the participation of two or more companies in an enterprise in which each party contributes assets, owns the entity to some degree, and share risk (Harrigan, 1984) Managing the partnership implies arrangement through which two or more organizations co-evolve vis-à-vis each other and vis-à-vis the environment in which they compete (Koza and Lewin,

1998). The rationale of partnering from foreign investors perspective can be attributed to three major forces i.e (1) political imperative, (2) competitive imperative, and (3) risk sharing imperative (Lassarre and Schütte, 1999). Local partners can often lead the way through legal mazes. Besides, they provide outsiders with the necessary assistance in understanding cultural nuances with their specialized skills.

Joint ventures have also a number of

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¹Investment data excluded investment in oil and gas, banking, non bank financial institution, insurance, leasing, mining in terms of contracts of work, coal mining in terms of agreement of work investment which licenses issued by technical / sectoral agency, portfolio and household investment.

other advantages. They are less susceptible to political harassment, minimize anti multinational corporation feeling, lessen political and economic risks by the amount of partner's contribution to the venture and a low risk of being subject to nationalization or other form of adverse government interference (Khambata and Ajami, 1992; Bradley, 1977; Ball, McCulloch Jr, Frantz, Geringer and Minor, 2004). In the Asian region, joint ventures are preferred to buying existing business because such intention is often impeded by existing regulations or because foreign firms face unfamiliar legal and cultural barriers.

The current development of joint ventures in Indonesia is characterized by their legal and managerial structure i.e (1) usually equity positions are held by each party, (2) the partners are separate legal entities, (3) the partners acknowledge their intent to share in the management of the firm, and (4) the partnership is constructed between legally incorporated entities.

From Indonesia's perspective as the host country, the rationale of establishing joint-ventures can be traced to multifarious considerations among other things to encourage capital inflows to stimulate economic growth and employment, to fulfill legal requirement, to promote technological transfer and to harness industrial capabilities by associating local firms with multinational corporations. In addition, there are specific motivating factors that induce the choice of joint venture as an investment vehicle such as (1) the country lucrative domestic market that represents a population of more than 200 million, (2) foreign firms seek to enter the domestic market where wholly owned subsidiaries are prohibited or to offer a way of getting around the high tariffs, and (3) local firms experience unequivocally lack of capital, technological know how and personnel managerial capabilities essential to expand their local and international

operations. Succinctly, foreign and local firms alike, gain a competitive advantage over imported as well domestically produced goods and services by competitors

The proliferation of joint ventures has encouraged a growing stream of work by scholars in organization, strategic management and international business who have examined prominent issues of such partnership.

Most of empirical studies are focused on joint-ventures as one of various modes of entry into international market (Hill, 2003; Sanyal, 2001; Tihanyi, Griffith & Russel, 2004). Others such as Gulati (1998) investigates some of the causes and consequences of such alliance, while Beamish (1985), Kogut (1988) and Chowdhury (1992) scrutinize the determinants of joint venture formation, its financial performance, the survival and exit rates and changes in ownership structure. There has been extensive research on the failure of joint venture (Kogut 1989; Mitchell and Singh, 1992, Steensma and Lyles 2000). Styles and Hersch (2005) recommend to improve chances of success of joint ventures in which managers need to focus on five stages of formation (need determination, partner research, partner selection, negotiations and operations). Prior to the aforesaid research, Pawitra (1994) suggests to maximize the chance of success, Asian companies should observe several salient aspects, among other things the right foreign partner, the agreement should contain extensive provisions for contingencies and foreign executive must be familiar with local cultures and beliefs. Hughes and Weiss (2007) provide guiding principles to improve strategic alliances success rate. Although those researches have enriched the field, most lack a compelling behavioral foundation of how to implement joint ventures effectively. The complexity and dynamism of intangible behavioral dimension and to concomitantly surmount

the many challenges inherent to the implementation, have received rudimentary attention. This study attempts to address the void. Shedding more light on this issue, the primary aim of this study is to examine the relevant conditions under which the influence of behavioral dimensions may be more effective or less effective in the implementation of joint venture operations in an Indonesian context. The emphasis will be on the experiential insight because the past often provides the best insight into the future (Savitt 1989). In summary, the research questions addressed in this study are :

1. What is the dominant management orientation that influences the behavioral dimensions in the management practice of joint ventures
2. What is the effect of strong or weak organizational fit among management orientation, management practice, management effectiveness and the operating environment on successful or unsuccessful implementation of joint venture operations?

Literature Review

Previous studies on the subject of experiential insights from managing international joint venture were focused in many countries across the globe such as China, Latin America, Spain and others (Gaur & Lu, 2007; Jolly, 2005; Kirby & Kaiser, 2005; Meschi, 2007; Reuer & Arino, 2007). Although the contributions of these studies are substantial, yet they lack an Indonesian perspective. To resolve this flaw, an exploratory study was conducted in which senior executives of joint ventures in the Indonesian auto industry were telephone interviewed to find out their experiential insights. This approach produces more valid and more reliable information because executives should understand what they

think and do. From the protocol, salient factors that were frequently mentioned were systematized into a cohesive and generalized form and were further molded into a management success chain. The underlying idea behind the management success chain is the meaningful linking of interrelated variables and the influences between them are illustrated within the chain (Bruhn, 2003). From the success chain – which comprises of three factors i.e. corporate input, corporate activities and corporate output – the structure of the proposed conceptual framework is adopted. It consists of a few salient variables that represent the organization process of the firm. This simplifies the study in generating a researchable understanding of the dynamic relationships between the related variables and also make it easier to examine the influence of behavioral dimensions in the management practice. With due consideration to the aim of this study, and the respective research questions as well as the results of the exploratory study, the identification and choice of variables to be incorporated in the proposed conceptual framework are introduced. It is summarized in Table 1.

The developed conceptual framework is depicted in Figure 1.

The basic premise of the framework is that successful implementation of joint ventures operations necessitate the existence of four firm-level interrelated matching variables namely (1) management orientation, (2) management practice which represents the implementation part, (3) management effectiveness as the outcome, and (4) the operating environment which denotes the realm in which the firm operates. One plausible theoretical argument of the suitability of the existence and interrelationship of those variables is that organizations need to organize themselves to accommodate continuous environmental changes in order to achieve fit with the

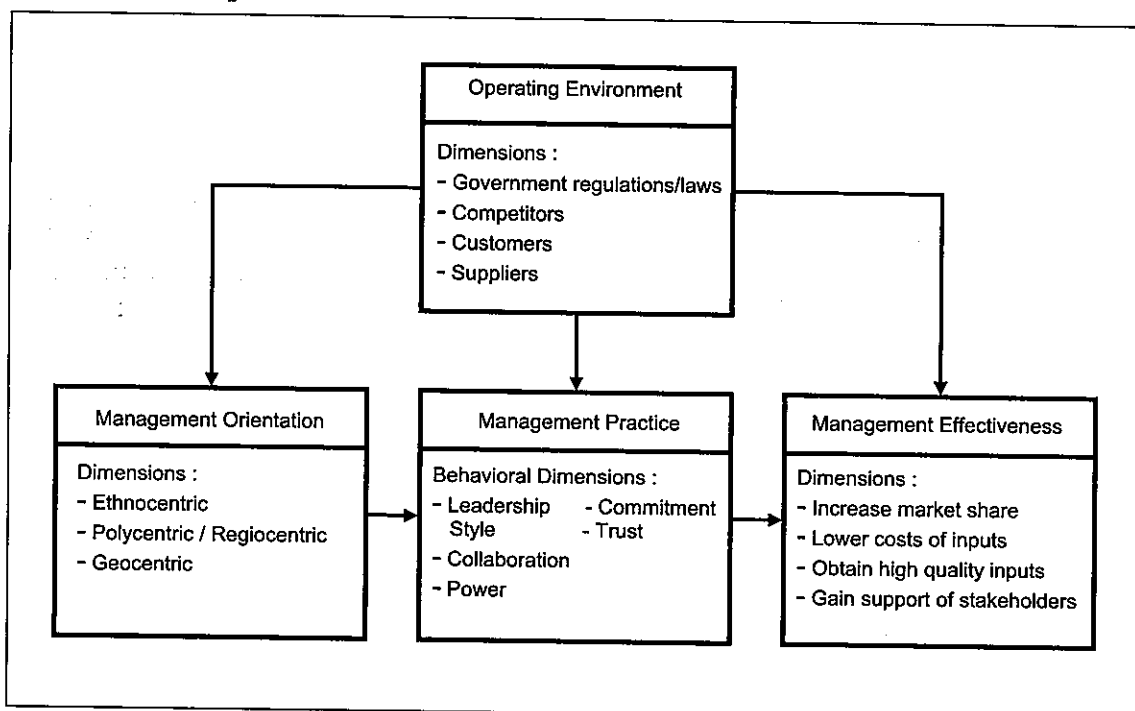
external environment and fit among internal organizational variables. It is best to use contingency theory developed by Lawrence and Lorch (1967) to explain the matching effect on joint venture outcome. This theory argues that firms whose internal features best match the external environmental demands will perform significantly better than those that do not achieve the requisite match (Venkatraman & Prescott, 1990). It underscores the importance of strong and

weak fit between several difference variables and their dimensions of the organization process. For that purpose, organizations are in a constant pursuit to align organizational and environmental contingencies (Hughes & Morgan, 2008; Zajac, Kraatz & Bresser, 2000). As such, the alignment may be achieved if the internal levers are matched with primarily environmental opportunities and threats the organization faces and the implementation elements are properly

Table 1. Identification and Choice of Variables

Executives Thinking (from exploratory study)	→	Variables (managerial interpretation of executives thinking)
Beliefs of executives as guidance to conduct businesses	→	Management orientation as antecedent variable
The importance of intangible behavioral dimensions that affect the effective implementation of joint ventures	→	Management practice in the implementation from behavioral perspective as mediating variable
Evaluation to determine the firm performance	→	Management effectiveness as dependent variable
External factors that directly impact strategic actions and responses to take advantage of opportunities	→	Operating environment as intervening variable

Figure 1. Conceptual Framework



matched with internal variables (Kraatz & Zajack, 2001; Chandler, 1962; King, 1978; Schwartz & Davis, 1981). It becomes crucial that joint ventures firms address all of those four firm-level variables in their interrelationship to assure a successful implementation of their operations. Murray & Kotabe (2005) conclude that the key to superior performance is by having a proper fit of alliance form (e.g. equity alliance) and attributes (e.g. trust).

Therefore, the conceptual framework functions as the basic building block to gain understanding of the effect of fit of those key variables on the success or failure of the implementation of joint ventures.

The Concept of Fit

The matching process of the four key variables as exposed in the conceptual framework signifies the dynamics of fit. The term of fit has been variously referred to as aligning, configuration, matching, and congruence (Venkatraman, 1989). The concept of fit itself is not new but it has assumed a core position in both organizational studies (Venkatraman & Prescott, 1990) and strategic management research (Miles, Snow, and Meyer, 1978).

Within the context of alliances, fit is differentiated into five aspects namely strategic fit, organizational fit, operational fit, cultural fit, and human fit (Douma, Bilderbeek, Idenburg & Looise, 2000). Niederkofler (1991) distinguishes between strategic fit and operating fit. While Jemison and Sitkin (1986) differentiate between strategic fit and organizational fit in their work on acquisition integration. Often parallels are drawn between alliances and mergers or acquisitions. Strategic fit refers to similarities in terms of technology, products, and markets. It should be distinct from the organizational fit which ascribes similarities between organizations in terms of organizational processes such as culture,

policies, and administrative systems. This study refers only to organizational fit since it deals with the organizational process. Although executives have to address all aspects of fit in their interrelationships but in-depth discussions of all aspects can not be accommodated in one article. However, the impact of the other aspects of fit will not be ignored.

Researchers in organizational fit commonly adopt a fit-as-mediation or fit-as-moderation perspective (Venkatraman, 1989), as two strands of the contingency theory. The mediation perspective posits that organizational structures, processes and strategies are chosen that reflect particular circumstances of the organization. It points the existence of an intervening factor between antecedent and outcome variables (Venkatraman, 1990). The presence of the intervening variable is necessary for the effect of the antecedent on the consequent to transit. The fit-as-moderation perspective argues that the firm's performance is attributable to a match between its strategic behaviors and the internal and external environment conditions (Atuahene-Gima & Murray, 2004). This study adopts both perspectives because the key variables are closely related and controllable by management. Dimensions of operating environmental variables can also be indirectly affected. Applying the principle of fit to joint ventures, it can be argued that the degree of congruency between key antecedent and its mediating and intervening variables has significant implications on the outcome. Thus, superior management effectiveness is attainable if the management succeeds in aligning the four relevant variables to the success of joint ventures. Absence of such a fit would lead to ineffectiveness. Fit determines the extent to which the joint venture realizes anticipated outcome critical to transaction's success.

Developing a strong organizational

fit is a pre-requisite for any joint venture. The organizational fit is a critical success factor (Douma et al, 2000). A strong fit may deteriorate over time because the established alliance will be challenged by changes within the organization or in the operating environment. Therefore, the desired fit has a dynamic character. Every joint venture undergoes a learning experience that starts with an insufficient fit which can be gradually strengthened over time, provided executives have the required capacity to manage the dynamics of fit effectively.

In this context, three situations can possibly arise. Firstly, there is a strong fit among the four firm-level key variables. In this case, the behavioral dimension in the implementation such as similarities in leadership style, collaboration, trust and others exist. Secondly, a limited fit exists. If such situation occurs, executives must decide whether or not the degree of organization fit will be strengthened or otherwise leave it unsolved and risk a failure. Thirdly, a mixed fit may occur, that is a combination of scenario 1 and 2. This scenario implies that the joint ventures offers opportunities if potential dissimilarities are overcome. Executives may decide to cooperate with greater emphasis on the design of the joint venture, its management team, and the behavioral dimensions of the implementation. A perfect fit is not sustainable because of the rapid changes in the operating environmental variables which impact the synergy in terms of similarities. Due to those changes the current fit is disrupted and a new stage emerges in the organization process featured by insufficient fit which makes organizational fit a continual process. Executives' efforts are required repetitively to strengthen again the desired fit. The organizational fit will not take the form of an inversed U-shape related to management effectiveness if a dynamic view of fit is taken and also due to

the presence of information technology in the digital economy. There will be a shift from economies of diminishing returns to the economies of increasing returns (Kotler, Jain & Mazsinee, 2002). Kotter claims that strategy formulation accounts for only 10 percent of success, while its implementation accounts for the other 90 percent. It is during the implementation process that strategy is adapted, molded, and changed to fit the firm's specific circumstances (Finnie and Norris, 1997).

Executives face barriers to fit in organizations such as conflicting priorities, ineffective management team, leadership style that is too laissez-faire, poor coordination and others (Beer, Voelpel, Leibold and Tekie, 2005). These barriers prevent executives from solving the problem of aligning their organizations with changes in strategy. Beer and Eisenslat (2000) call these barriers as silent killers of strategy implementation and learning. Organizational interventions designing to deal with these barriers individually have to be implemented and sustained over time.

Management Orientation as Antecedent Variable

The anticipation and response of a firm to market opportunities depend on its management orientation about the nature of the world in which it operates. As such, management orientation as the antecedent represents the assumptions or belief of the firm's executives. It functions as the prime driver to implement joint venture operations in accordance with the belief of executives. Since management of joint ventures is managed predominantly by foreign executives, their beliefs guide the way they conduct businesses. That is the reason why it precedes implementation activities of any management practice. Management orientation has considerable influence on the organizational process and its effectiveness.

It is known as ethnocentric (management views home country superior to the rest of world), polycentric (management views each country is unique), regiocentric (management views each region is unique), and geocentric (management views the entire world as a potential market) (Perlmutter, 1969). Henceforth, these views become the dimensions of management orientation variable. Knowledge and skills which are important elements in implementing joint venture operations, were not regarded as relevant by executives during the telephone interview. The rationales are : (1) joint-ventures are managed by foreign executives who possess the much needed knowledge and skills, and (2) executives resort to hiring local consultants for any deficiency in local knowledge. The latter will impede the creation of a learning organization, unless consultants are willing to impart their knowledge and skills to executives.

Management Practice as Mediating Fit Variable

Constructing a manageable building block, the management practice - as materialization of the implementation - is introduced as a mediating-fit variable between management orientation and management effectiveness. Absence of this variable will cause a disruption in the organization process which will result in ineffectiveness. Following Parson's concept (1956), management practice is divided into three layers namely managing technical core activities, managing social system and managing external relationships. The proposed framework recognizes the layers but it is more concerned about the interactive effect of each layer to achieve predetermined goals. Furthermore, the emphasis will be on the application of soft behavioral dimensions of management practices such as leadership style, collaboration, power, commitment, and trust. These relevant

intangible dimensions were derived from telephone interviews with senior executives who were the respondents of this study. This view is shared by Peters and Waterman (1982) who assert that "soft" feature that used to be considered as inflexible and informal need to be engaged and modified as much as the "hard" ones. The role of the behavioral dimensions determines whether or not the organizational fit is weak or strong in implementing effectively joint venture operations.

Management Effectiveness as Dependent Variable

Assessing management effectiveness allows executives to evaluate how well the organization is performing. To evaluate the effectiveness, executives can take one of the three approaches (Jones, 2004): (1) external resource approach, (2) internal system approach, and (3) technical approach. Since the conceptual framework adopts an open system model it will be more appropriate to choose the external resource approach to assess management effectiveness. The goals set to indicate effectiveness will be : increase market share, lower costs of input, obtain high quality inputs, and gain support of stakeholders (government or environmentalists).

The outcome in terms of management effectiveness is the end-product of fit among the main focuses of the organizational process.

Operating Environment as Intervening Variable

The operating environment as the intervening variable comprises of the set of dimensions that directly influence the firm strategic actions and responses to take advantage of opportunities and as far as possible to avoid challenges. The dimensions of the operating environment

consist of : government regulations, competitions, customers and suppliers. The fact shows that current management practice is able to control this variable and its dimensions through acuminous strategic moves. Government regulations can be influenced by lobbying, competition are thwarted or controlled through strategic alliances, customers are retained through customer relationship management and suppliers become part of the firm's network through vertical integration. It can be surmised, that the effects of the operating environment can be influenced directly or indirectly by management on building the organizational fit.

Methodology

Research Setting and Design

The research setting was Japanese and German joint ventures firms in the auto industry operating in Indonesia. The main activities of the firms were concentrated in the areas of production and distribution. Joint venture firms in the auto industry represented reasonably the characteristics of joint ventures in Indonesia. They portrayed the common management practice in terms of legal and managerial structures valid in most joint ventures operating in this country.

The methodological approach adopted in this research was the qualitative multiple case study methods. Deshpande (1983) and Parkhe (1993) argue that qualitative case methods are more appropriate than quantitative approaches because (1) the limited amount of existing theory in this area and (2) the nature of the core concepts underlying international joint venture relationships. Robson, Leonidou, and Katsikeas (2002) advocate greater use of the case study methods given the complexity, dynamism and intangible nature of international joint venture

determinants. Additionally, Yin (1994) states that exploratory case study methods based on primary data are deemed to be appropriate when the existing knowledge base is still in its infancy. Therefore, the adoption of a qualitative research design provides for a holistic means of data collection, analysis, interpretation, and understanding that is particularly suited to research that investigates the "why" and "how" of management decision making in organization (Silverman, 1997; Gummesson, 2000). Qualitative research justifies the selection of specific cases to address the objectives of the study.

Selection of Cases

In the next step the selection of joint venture firms in the auto industry as research cases and the respective selection criteria were performed. Sampling was purposive rather than statistical in this type of case study research.

The following criteria were used in selecting the respective joint venture firms : (1) Firms with the highest and the lowest market share in order to cover the whole spectrum of experiential insights. In this case, Japanese firms gained the highest market share (95,6%) while German firms only succeeded to acquire the lowest portion (0,6%) (Gunadi Sindhuwinata, 2007), (2) Firms applied approximate the same degree of technology namely high-tech products and processes, (3) Firms that produced and distributed generic products mainly cars, (4) Firms were established for more than 5 years, and (5) Firms that covered product-market mainly destined for local markets with a small percentage for exports. Based on these criteria, 4 firms were selected as cases comprising of 2 Japanese and 2 German joint venture firms. Japanese firms were codified as Case 1 and Case 2 (Group A), while German ones were codified as Case 3 and Case 4 (Group B) to preserve

confidentiality. This is consistent with the recommendation of Eisenhardt (1989) that it is best to use 4-12 cases in this type of research because this ensures sufficient data without creating subsequent overload during analysis.

Data Collection and Analysis

The data-collecting method used for securing insights into executives' experiences was the one-on-one telephone interviews. This method combined direct and indirect questions to probe the underlying insights from senior executives who acted as key case informants. Questions were referred to happenings which occurred in the last 3-5 years in order that they were still remembered. The one-on-one telephone interviews avoided the group bias and could address more sensitive topics, although were generally more time-consuming. Nevertheless, dialog could be more open and could secure significant insights.

The interviews were carried out for a period of nine months. Each interview ranged between fifteen and thirty minutes and a minimum of two interviews were conducted with senior executives. To ensure that the interviews were not biased and that assurances of confidentiality were honored, prior knowledge generated from previous interviews with senior executives was not revealed. The interviews were semistructured and it was regarded as an appropriate methodology because it allowed for guided, focused and open-ended communication with interviewees (Crabtree and Miller, 1992). Semistructured interviews had the added advantage of allowing the interviewees to volunteer information rather than responding to structured survey questions that might hamper the process of obtaining holistic understanding of the process. The interview topics followed systematically the established conceptual framework. It enhances the internal validity

and theoretical level of theory generating from case studies (Eisenhardt, 1989). The framework is an important element of case study methodology (Creswell, 1998). The development of a framework informs and enriches the data which provides not only a uniqueness of the case but also of what is of more relevance and interest.

Reliability which indicates that the study can be replicated at a later date with the same conclusions, is susceptible to errors and biases. To avoid errors, interviewees were asked similarly worded questions to maintain consistency among the cases and the findings were discussed for alternative meanings. To minimize bias, multiple interviews were conducted to allow information to be cross-checked with data of each case.

Follow-up interviews were conducted to confirm and elaborate on issues, recheck details and provide adequate time for cross-checking for each data. Thus, problems often associated with short data collection periods in qualitative researches such as idiosyncratic and cyclical insights, could be avoided. A holistic understanding could be acquired rather than a snapshot of executives' experiential insights from managing joint-ventures. In total, 12 senior executives from the 4 research cases participated in the one-on-one telephone interviews. Each case was represented by 3 senior executives which comprised of chief executive officer (CEO), chief operating officer (COO), and chief finance officer (CFO). Senior executives were carefully selected because they were highly knowledgeable of the managerial activities involved and substantial experiences in running the business.

The qualitative analysis of data followed an inductive process. To analyze interview transcription, a content analysis was performed in which searching of recurring words, theme or core meanings were conducted (Patton 2002). Data analysis

proceeded hand in hand with data collection to permit the emergence of the salient themes and patterns in the obtained data from each case. A coding procedure was developed from the content of the interviews of each case and the emerging codes were further organized based on the established conceptual framework. Each case was coded separately so that its uniqueness could appear before generalization of patterns across cases were exposed. The coding procedure ensured that the variables its dimensions and indicators were related to one another in coherent ways. The aim was to improve the integration and scope of the indicators. Data analysis were conducted within cases and across cases. This would facilitate the result of the data analysis because it best reflected the phenomena under investigation.

Results and Discussion

In the following exposition, the findings are outlined and elaborated. The research questions of this study were to determine the dominant management orientation and the effect of strong or weak organizational fit among management orientation – management practice – management effectiveness – operating environment that ensured a successful implementation of joint venture operations. Since management practice functions as a mediating fit between the antecedent and the outcome, its influence to a certain extent depends on the adopted management orientation and the goals used to assess effectiveness. Therefore, the initial step was to find an answer, Which management orientation was dominant? The next question related to the initial research question, Which cardinal goals were sought after?. The findings as the answer of these two questions will be first presented followed by findings in relation to the specific research question of this study.

Which Management Orientation Was Dominant?

The strength index was introduced in which the result of interviews, coded into dimensions and indicators of the respective variable, were indexed to a 100-point scale. An index score of more than 50 indicated relative strength, less than 50 signified relative weakness, and 50 denoted neither strength nor weakness. Table 2 presents the findings as an attempt to find a reply to the above-stated research question.

From the result as exposed in Table 2, it could be seen that senior executives of Case 1, 2, 3 and 4 were all ethnocentric in their management orientation. None could be categorized as either polycentric or geocentric. The separate findings of each case divulged that Case 1 and 2 did not standardize their products and services. Based on this indicator alone, it could be interpreted that Case 1 and 2 tended to be polycentric. However, after checking carefully the transcript of the interviews, it was detected that Case 1 and 2 were weak in standardizing their products because of fulfillment of government regulations as the intervening variable. In this context, it is worthwhile to mention the *raison d'être* of this decision. The promulgation of government regulation related to emission control standard, known as Euro-1 and Euro-2, with the aim to reduce air-pollution, and compulsory industrialization policy, had compelled joint venture firms to adapt their products accordingly which resulted a weak score for standardization. Thus, senior executives of Case 1 and 2 were in fact still ethnocentric in their orientation. Exploring the findings further, it was noted that Case 1, 2, 3 and 4 showed a weak score regarding home country resources for financing and investments which signified that they catered their financial needs from local banks. It could be wrongly deducted that senior executives of Case 1, 2, 3, and

4 were polycentric in their management orientation. They were still categorized as ethnocentric because they acquired local financing with guarantees issued by

their head offices in the respective home countries namely Japan and Germany. In conclusion, those two deviating indicators could not be attributed to the changed

Table 2. Orientations of Management

DIMENSIONS & INDICATORS	GROUP A		GROUP B	
	Case 1 Strength Index	Case 2 Strength Index	Case 3 Strength Index	Case 4 Strength Index
Ethnocentric :				
- Home country practices superior to the rest of the world	s	s	s	s
- Centralized operations (top-down management)	s	s	s	s
- Markets in host countries as extension of home country	s	s	s	s
- Standardization of products and services	w	w	s	s
- Relying on home country resources for financing and investments	w	w	w	w
- Home country personnel for key positions	s	s	s	s
- Key Performance Indicator from home country as success measurement	s	s	s	s
Polycentric / Regiocentric :				
- Each country has its unique practice	w	w	w	w
- Decentralized operations (bottom-up management)	w	w	w	w
- Adaptation to each country's market incl. products and services	s	s	s	s
- Financing and investments are sourced from each country	s	s	s	s
- Citizen of each country for key positions	w	w	w	w
- Key Performance Indicator from each country as success measurement	w	w	w	w
Geocentric :				
- Integrated practices on global scale	-	-	-	-
- Integrative and interactive management	w	w	w	w
- National and global markets	w	w	w	w
- Extension, adaptation and creation of product and services	-	-	-	-
- Obtaining financial resources from the world from sources with the lowest cost	-	-	-	-
- The best personnel for key positions disregarding the citizenship	-	-	-	-
- Global key performance indicator	-	-	-	-

s = strong; w = weak; - = neither strong nor weak

mindset of senior executives but rather to the presence of government regulations and law, and sophisticated financial transaction. Concentrating on the ethnocentric indicators it was noted that findings across cases exhibited similar behavioral patterns between Case 1 and Case 2 on the hand one and Case 3 and Case 4 on the other. The similarity could be attributed to homogenous cultural heritages.

The ethnocentric management orientation reflected on how management was practiced and its impact on the management effectiveness of the joint venture firm. The characteristics of decisions, the organization structure, the strategies planned and executed, placement of personnel, and any other managerial activity followed closely the guidelines stipulated by the ethnocentric orientation.

Which Cardinal Goals?

Applying the same strength index criteria, it was found out that management effectiveness was primarily gauged by the attainment of higher "market share" for Case 1 and Case 2. Senior executives of Case 1 and Case 2 were convinced that joint venture firms would experience better performance if they dominated the market especially in the short-run. Case 3 and Case 4 showed a relatively weak score for "increasing market share" because executives emphasized more on efficiency (lower costs of inputs and obtain high-quality inputs) for the survival and growth of the firms in the long-run.

All Cases (1, 2, 3, and 4) showed an equal strong score for stakeholders particularly government and environmentalists. It could be concluded that the findings indicated different goals for different executives who originate from different countries

What is the effect of strong or weak organizational fit among management orientation, management practice,

management effectiveness and operating environment on successful /unsuccessful implementation of joint venture?.

The indicators of management practice of Group A and Group B cases were categorized as having either a relatively strong or weak organizational fit. The strength or weakness of the fit were based on the perceived congruency between ethnocentric orientation and cardinal goals from senior executives perspective which was mediated by the management practice and intervened by dimensions of the operating environment. These perceptions were calibrated with behaviors gathered from interviews within each group and across group. Previous findings indicated similar behavioral pattern between Group A cases and Group B cases. Consequently, the findings would be presented as a dyadic group interpretation. Table 3 provides a mapping of the organizational fit and the related role of the behavioral dimension.

The result of the mapping showed that neither Group A nor Group B accomplished a relatively perfect organization fit. Each group exhibited some weak mediating fits between the orientation and goals. Group A were relatively better off compared to Group B. Group A cases practiced a higher degree of authoritarian leadership style as evidenced by the strong patterns of behavior, strong exercise of coercive and non-coercive power, and a staunch commitment for the continuance of the joint venture firms. The strong sign on the degree of collaboration as shown by Group A cases implied that executives tended to rely on information sharing to reaching goals and seeking opinions from subordinates to reducing risks. It also signified that Group A cases focused on the consensus of people. The weak fits in the degree of collaboration were caused by inadequate knowledge and skills of subordinates. It had also resulted weaknesses on the degree of trust in the ability of people to

perform and fulfill their obligations. Thus, it was not caused by mistrust. Group B cases practiced hierarchical leadership style with mechanistic structure featured by centralization and formalization of tasks and responsibilities. Because they emphasized on work task, it was deemed less urgent to motivate and facilitate people to do better or to emphasize repeatedly on the embedded orientation of the firm. The results were weak fits related to those two indicators for leadership style. The weak fit that existed in collaborations such as the pooling of knowledge and sharing of experience and acquiring organizational learning to transfer knowledge were due to deficient in knowledge and skills, similar to Group A.

Power was exercised lavishly, because Group B cases practiced reward and punishment principle. For those who had successfully attained the goals were rewarded (bonus, promotion) and for those who failed were punished (penalties, bureaucratic procedure to promotion). Apparently, due to lesser degree of motivation, the commitment to reach goals and genuinely fulfill obligation were less compared to Group A cases. It was not surprising that only a partial fit was attained. Behaviors continuously changed in response to the dynamic nature of the business. Each time the organization process approached a certain degree of fit, changes occurred which demanded an adjustment in the respective behavior. It is an on-going process that featured a living organization. In other words, the decision-making process and coordination of management activities demonstrated a flexibility that were constantly in a state of flux. The role of soft behavioral dimensions varied in each group. Obviously, Group A cases that were strong in most of the indicators were relatively more effective than Group B cases in terms of achieved goals. A better organizational fit would also enhance

management effectiveness as indicated by the role of the behavioral indicators, with the assumption that strategies, systems, and structures were all in place.

The intervening variable played a dominant role because it affected directly the organizational fit. From the interviews, it could be deduced that government regulations and laws could immensely affect positively or negatively the operations of the firms. Especially taxes, import duties, regulations related to industrialization and labor law influenced the competitive advantage of the joint venture firms. Competition was regarded as a stimulus to operate better, faster, and cheaper. The presence of reliable supplier of local components was still an on-going problem which could disrupt the smooth operation. Customers who were the ultimate users occupied a central position in marketing of vehicles. Senior executives believed that demand could be enhanced if their offering provided the right solutions to customers' needs. Any deviation that caused dissatisfaction would detrimentally affect the successful operation of the joint venture firms.

The result of the study also offer several important experiential insights from managing joint venture in Indonesia. Managing joint venture operation effectively depends greatly on the pivotal role performed by management practice in connecting the adopted orientation and the goals the ventures intended to attain. Behavioral dimensions such as leadership style, collaboration, power, trust, and commitment acted as the drivers in activating the organization process toward a better fit and subsequently better performance. The intervening variables such as government regulations and law caused disruptions in the congruency of the variables. This presupposes that executives must understand and follow closely current and future government regulations and law.

Although a full fit of the variables is hardly possible, but to strive for a partial fit is recommendable to warrant effectiveness. The behavioral dimension especially the

form and substance of leadership style and power exhibit dominant roles in reaching effectiveness. Management effectiveness ultimately affects firm effectiveness.

Table 3. Mapping of Organizational Fit and Behavioral Dimension

Variables	Dimension & Indicators	Group A Management Orientation	Group B Management Orientation
	LEADERSHIP STYLE : characterization of patterns of behavior of key managers (Pascale and Athos, 1981)		
	- Set the direction of the firm	(+)	(+)
	- Articulation of ethnocentric orientation as collective values	(+)	(-)
	- Motivating and facilitating the achievement of exceptional performances	(+)	(-)
	- Inspiring sub-ordinates by showing confidence, persistence, and pride towards reaching goals	(+)	(+)
	COLLABORATION : degree of cooperation and extent of representation to the organization process (Lyles, 1988)		
	- Reliance on strength and know-how of collaborators to reach goals	(+)	(+)
	- Allowing pooling of knowledge and sharing of experience to pursue the goals	(-)	(-)
	- Succeeding to reduce investment risks by sharing experiences	(+)	(-)
	- Acquiring organizational learning to transfer knowledge, know-how and share collective experiences	(-)	(-)
	POWER : the ability of one individual or group to control or influence the behavior of another (Hunt and Nevin, 1974)		
	- Penalties and sanctions in case of non-compliance with goals	(+)	(+)
	- Bureaucracy of procedure related to promotion and other assistances	(+)	(+)
	- Financial bonus for compliance with goals	(+)	(+)
	- Better position and accelerated promotion	(+)	(+)
	TRUST : a belief that partners will act in each other's best interests (Wilson, 1995)		
	- Personal trust in the people involved	(+)	(+)
	- Trust in people's ability to perform their respective roles towards achieving goals	(-)	(-)
	- Trust in fulfillment of obligations	(-)	(-)
	- Trust in long-term existence of the firm	0	0
	COMMITMENT : the desire to continue the relationship and work to ensure its continuance (Wilson, 1995)		
	- Staunches intention to achieve the goals	(+)	(-)
	- Willingness to genuinely fulfill obligation	(+)	(-)
	- Willingness to work together in another ventures	0	0
Management Effectiveness	Goals	- Market share - Support of stakeholders	- Lower costs of inputs - High quality inputs - Support of stakeholders

(+) = strong;

(-) = weak ;

0 = neither strong nor weak

Implementation activities are the result of many decisions which also include the behavioral dimension as the soft-side of the organization process. Examining the experiential insights as demonstrated in this study, it is discernible that the fundamentals of a successful implementation start with the behavioral dimension and its indicators. These behavioral aspects motivate and facilitate the organization process. If executives get those right, the hard-side consisting of strategy, structure, and system often become obvious. The identified four variables in the conceptual framework are the fundamentals executives can use to fit these in order to be more aligned. The organizational fit process is led by the behavioral dimension that translates important decisions, information, coordination, communication, and others into actions. Efforts to improve organizational fit, most organizations resort right to restructuring which seems the most obvious solutions. But such measures generally address only the symptoms, not its causes. This study shows that actions having to do with behavioral dimension are far more important than improvement in the structure. How executives behave in making decisions as reflected on their leadership style, collaboration, use of power, trust and commitment as the root cause that should be addressed.

Managerial Implications

The results of this study provides an evidence that implementation and its behavioral dimensions are as important as the formulation of strategies and policies in the context of Indonesian management practice. Management efforts to invigorate a better organizational fit among key variables such as management orientation, practice, effectiveness and operating environment have to be continuously performed because of the dynamic character of the fit process

itself. The Indonesian business climate is abundant with changes : changing competitors' landscape, customer demands, expectations and preferences, technological advances, government regulations and laws, international inter-government agreements. This leads to disruption, modifications and adaptations of organizational fit in response to these changes to align new circumstances. The findings confirm the validity of the contingency theory that explains the matching of internal features and external environmental demands in order an organization will be in a position to attain better performance. Simultaneously, the findings also advance existing theory that usually postulates the interrelationships of resources, strategy and superior firm performance as central to managing joint ventures, without paying adequate attention to the importance of the intangible behavioral dimensions in the implementation.

Organizational capabilities gained from experiential insight to achieve better fit entail the capacity to learn and adapt. Experiential insight is viewed as an incremental process, developing as organizations learn the necessary knowledge through experiences. Thus, the key concept in understanding and explaining the organizational fit is organizational learning.

The dynamics of fit is based on the idea that an effort is constantly repeated by an organization to achieve a better fit leads to experience accumulation. This helps in correcting past disruption and improves organizational fir. By doing so, executives who are working jointly with their sub-ordinates make it possible for each of them to learn from the other. From this perspective, the organizational fit becomes a mechanism through which experiences are transferred into actions to achieve competitive advantage in terms of management effectiveness

Conclusions

The findings suggest that executives need to recognize the experiential insights gained from managing joint ventures in Indonesia. The relative importance of behavioral dimension could determine success or failure of implementation of joint venture operations. Since the intervening variable has a decisive role in obtaining organizational fit, it is imperative that executives of joint venture must be well-versed pertaining to local situations regardless of their country of origins. Apparently, different purposes require an emphasis on different behavioral dimension and indicators. Table 3 provides detailed findings which acts as a map for executives.

The importance of leadership style and power (coercive and non-coercive) for the development of organization fit are critical behavioral drivers. Insights from this study can be used for diagnostic purposes to help identify the process of organizational fit and to determine why repercussions may have risen. The different leadership style between

Group A and Group B cases it is not meant to determine which one is more superior and it is also not intended to introduce a generalization. It is beyond the scope of this study. An extensive research is required.

This study draws on the contingency theory to develop an understanding of the establishment of organization fit and in particular the role of behavioral dimension such as leadership style, collaboration, power, trust, and commitment within the interrelated four firm-level variables. This study places the key variables in the context of the overall conceptual framework rather than to study each variable in isolation.

The study is based on a relatively small sample in one particular industry. Additionally, data are collected primarily from interviews and with short data collection period. Cases are developed based on certain criteria. Nevertheless, this study has demonstrated the application of contingency theory to explain organizational fit and the role of behavioral dimension in the successful implementation of joint venture operations.

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